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## ARIZONA CORPORATION COMMISSION

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### **COMMISSION ORDERS \$7.89 MILLION IN RESTITUTION TO RESTORE ARIZONA INVESTORS**

PHOENIX, AZ— The Arizona Corporation Commission today sanctioned multiple individuals and their affiliated companies whose securities schemes defrauded over \$7.89 million from investors. The Commission ordered that amount in restitution and a total of \$485,000 in administrative penalties be paid.

The Commission issued a default order against former securities salesman, Jonathan Fraser Buchanan of Chandler, requiring him to pay \$4.5 million in restitution and \$200,000 in administrative penalties for defrauding his clients. Buchanan, who is also a licensed insurance producer, fraudulently offered and sold various types of securities, including debentures and certificates. Of the 23 investors, some were elderly and one was a Tempe church that invested \$1 million. While employed by Ameriprise Financial Services, Inc. and LPL Financial Corp., Buchanan engaged in a dishonest and unethical practice known as “selling away” by promoting the debentures and certificates without the authorization of his securities dealer. After misrepresenting the investments as secure with a monthly income impervious to any market fluctuations, Buchanan persuaded his clients to sell other investments such as certificates of deposits and mutual fund accounts. He told clients they were investing in one or more coal companies and falsely claimed that these securities would be sold through his dealer. Buchanan deposited investor money into his own bank account and manufactured client account statements that reflected fictitious interest earnings. To date, the dealers have reimbursed over \$1 million to the investors.

In a separate case, the Commission revoked the securities salesman registration and investment adviser representative license of Mesa resident Brett S. Kleese for fraudulently selling unregistered promissory notes. Kleese and his company, BSK Enterprises, LLC, are ordered to pay \$2,439,225 in restitution and \$100,000 in administrative penalties for defrauding at least 57 investors, most of whom were Kleese’s friends and business associates. Kleese was a registered securities salesman with World Group Securities, Inc., formerly WMA Securities, and a licensed investment adviser representative with Investment Advisors International, Inc. The Commission found that Kleese engaged in “selling away” by promoting the promissory notes called “BSK Private Loan Agreements” without the authorization of his securities dealer. Kleese misrepresented that all of the investor money would ultimately be used as collateral for a credit line to pay for the construction of pre-fabricated, low-cost housing. In settling this matter, Kleese agreed to the entry of the consent order and admitted to the Commission’s findings only for the purposes of the administrative proceeding.

In another matter, the Commission sanctioned former World Group Securities salesman and prior Tucson resident Mark Westerfield for fraudulently selling an unregistered investment program. Westerfield, who is a licensed contractor, is not licensed to sell securities in Arizona and is ordered to pay \$10,000 in restitution and a \$5,000 penalty. The Commission found Westerfield misrepresented himself as a financial planner associated with a registered securities dealer, World Group Securities, Inc., and did business as “Builder’s Secret,” an expired Arizona trade name. After misrepresenting the investment as a

public offering with a guaranteed return, Westerfield sold to one investor who was a student and father-to-be with limited income and a low risk tolerance. To date, the investor has not received any money. In settling this case, Westerfield neither admitted nor denied the Commission's findings and agreed to the entry of the consent order.

In another case, the Commission issued a default order against Mayra Jeanette Angulo and Mark Islas of Tucson and ordered them to pay \$914,317 in restitution and \$150,000 in administrative penalties for defrauding at least 30 investors, some of whom were residents of Mexico. Angulo and Islas were securities salesmen for Woodbury Financial Services, an Arizona registered securities dealer. Until they divorced, Angulo and Islas, who were also licensed insurance producers, conducted their securities and insurance business through IFS Group, selling money market funds, variable annuities and variable life contracts. The Commission found that Angulo and Islas opened brokerage accounts and post office boxes for some customers and, in some instances, used their own post office boxes for customers or used the same post office box for several different customers. While distributing fictitious brokerage accounts statements, Angulo and Islas funneled money from their customers' accounts to themselves and family members. To date, Woodbury Financial Services has reimbursed \$1,320,538 to the investors.

Finally, the Commission ordered former Gilbert resident Scott Hutchinson and his company to pay \$35,000 in restitution and \$30,000 in administrative penalties for fraudulently offering and selling unregistered stock in a start-up company that would sell boats. The Commission found that Hutchinson told at least one Arizona investor that the company, Marine 3, would go public and showed the investor photographs of "Miami-vice" type speedboats. He misrepresented that there was no risk in the investment with the investor guaranteed to receive, at a minimum, a return of the principal investment amount. Instead of depositing investor funds into a company account, Hutchinson cashed all seven of the investor's \$5,000 checks at various banks on different days, making the funds difficult to trace. The Commission found that Hutchinson failed to provide any financial information to the investor and disclose that the State of Nevada had revoked the corporate status of Marine 3. Hutchinson admitted that he sold the company stock without being registered as a securities dealer or salesman in Arizona.

#### **More caution for investors:**

Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division's investor education web site also has helpful information at [www.azinvestor.gov](http://www.azinvestor.gov).

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